Provident Financial sro
Slovakia

Kenny McPartland

> 18 years home credit experience
> Development Director, Czech Republic - 1998
> Slovakia research - 2000
> Country Manager - 2001
Slovakia

Agenda

> Introduction
  - Management team
  - Why Slovakia?

> Provident Financial sro
  - History of the business
  - Performance
  - Plans for the future
Slovakia

Management team

Kenny McPartland
Country Manager

Greg Green
FDM

Maria Paulenova
Finance Manager

Karin Mlynkova
HR Manager

Ivo Kalik
Operations Manager

Natalia Hercegova
Marketing Manager

Karel Skliba
Security
Slovakia

> Population
> Economy
> Foreign investment
> Why Slovakia?
Slovakia

Population characteristics

- Population 5.4 million
- Majority in the West
- Capital Bratislava
  - population 450,000
- Well educated
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Foreign investment

Other British investors
  – Tesco
  – Kingfisher
  – Allied Domecq

Other major investors
  – Volkswagen
  – US Steel
Why Slovakia?

- Developed and urban economy
- EU membership sought
- Population – 5.4 million
- Natural progression from Czech Republic
  - Similar market conditions
  - Language similar to Czech
  - Easy to support
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Pilot operation

> Business established in February 2001 in Bratislava
> Key performance managers recruited
> Key function managers recruited
> Training in Czech Republic initially
> Systems and support from Czech Republic
> Started trading in April 2001
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Branches
Loan products

> Cash Loans (between 3,000Sk (£44) and 30,000Sk (£440)
> Current products are:
  – 20 weeks
  – 31 weeks
  – 52 weeks
> Typical first loan issue value  6,300 Sk (£92)
> Typical second and subsequent issue value 10,100 Sk (£148)
## Slovakia

### Loan product

<table>
<thead>
<tr>
<th></th>
<th>20-week (crown)</th>
<th>31-week (crown)</th>
<th>52-week (crown)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical loan amount</td>
<td>6,000</td>
<td>10,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Charges</td>
<td>2,400</td>
<td>5,500</td>
<td>13,280</td>
</tr>
<tr>
<td>%</td>
<td>40%</td>
<td>55%</td>
<td>66.4%</td>
</tr>
<tr>
<td>Total amount payable</td>
<td>8,400</td>
<td>15,500</td>
<td>33,280</td>
</tr>
<tr>
<td>Weekly rate</td>
<td>420</td>
<td>500</td>
<td>640</td>
</tr>
<tr>
<td>APR</td>
<td>481</td>
<td>365</td>
<td>199</td>
</tr>
</tbody>
</table>
Slovakia

Operational issues

> Consumer credit legislation
> Language
> Competition
Operational issues: CCA

> Consumer credit legislation
> Draft legislation - April 2001
> Potential risks
> Enacted in October 2001
> What does it mean for us?
Operational issues: language

- Language
- Large Hungarian population
- Flexibility
  - recruitment
  - documentation
Operational issues: competition

> Competition
> Products and pricing
> Operational differences
> Market share
Slovakia

Sales pitch

> Cash in your hand
> 48 hours
> No reason required
> No guarantor
> Use of UK background
Slovakia

Marketing strategy

> Leaflet distribution
> Press advertising
> Billboards
> Radio
> Public transport
Customers

Slovakia

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1,400</td>
<td>3,245</td>
<td>5,057</td>
<td>8,046</td>
<td>12,054</td>
<td></td>
<td>15,687</td>
</tr>
</tbody>
</table>
Slovakia

Customer profile

> Average age is 38
> Female 55% : male 45%
> 75% pay weekly, 16% fortnightly and 9% monthly
Slovakia

Employee numbers

Q1 01: 20
Q2 01: 36
Q3 01: 52
Q4 01: 59
Q1 02: 88
Q2 02: 90
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Recruitment and training: recruitment

- Starting up
- Recruiting development managers
- Roll out
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Recruitment and training: training

> Starting up
> Training department
> Training programmes
  – MTP
  – Training agents
Slovakia

Operational issues: CCA

> Consumer credit legislation
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> What does it mean for us?
Operational issues: language

- Language
- Large Hungarian population
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  - recruitment
  - documentation
Operational issues: competition

> Competition
> Products and pricing
> Operational differences
> Market share
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Agents

- Q1 01: 9
- Q2 01: 81
- Q3 01: 159
- Q4 01: 216
- Q1 02: 289
- Q2 02: 407
- A 02: 474
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Sales pitch

- Cash in your hand
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- No reason required
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Marketing strategy

- Leaflet distribution
- Press advertising
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- Public transport

Slovakia
Slovakia

Customers

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tbody>
<tr>
<td>Q2</td>
<td>1,400</td>
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<tr>
<td>Q3</td>
<td>3,245</td>
<td></td>
<td></td>
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Recruitment and training: training

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<td>Credit issued</td>
<td>1.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Collections</td>
<td>1.4</td>
<td>-</td>
</tr>
<tr>
<td>Turnover</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td>Operating costs</td>
<td>1.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Bad debt</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td>Bad debt % credit issued (MAT)</td>
<td>8.0%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Interest</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
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<td>(1.0)</td>
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### Slovakia

#### Results (£m)

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<th>2001</th>
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Lessons learned

- Strong core operational model
- Controlled growth
- Cautious approach to longer term lending
- Realistic assessment of bad debt risk
- Holistic approach to business set up
- Successful template for future pilot operations
Slovakia

The future

> Controlled growth 2003 - 2005
> 4 new branches in 2003
> People development
> Target of 125,000 Customers